

**BRAZOS VALLEY COMMUNITY  
DEVELOPMENT CORPORATION, INC.**

**(A NONPROFIT CORPORATION)**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2013 AND 2012**

**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**BRAZOS VALLEY COMMUNITY  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Brazos Valley Community Development Corporation, Inc.  
Bryan, Texas

We have audited the accompanying financial statements of Brazos Valley Community Development Corporation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brazos Valley Community Development Corporation, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
April 8, 2014

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**SEPTEMBER 30, 2013 AND 2012**

|                                      | <u>2013</u>       | <u>2012</u>       |
|--------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                        |                   |                   |
| Cash in bank                         | \$ 433,312        | \$ 250,593        |
| Accrued interest receivable          | 2,334             | 3,212             |
| Notes receivable, net of allowance   | <u>517,429</u>    | <u>650,737</u>    |
| Total assets                         | <u>953,075</u>    | <u>904,542</u>    |
| <br><b>LIABILITIES</b>               |                   |                   |
| Accounts payable                     | 2,522             | 7,469             |
| Unearned revenue                     | -                 | 4,778             |
| Loan escrow payable                  | 16,782            | 18,049            |
| Notes payable                        | <u>473,800</u>    | <u>473,800</u>    |
| Total liabilities                    | <u>493,104</u>    | <u>504,096</u>    |
| <br><b>NET ASSETS</b>                |                   |                   |
| Unrestricted                         | <u>459,971</u>    | <u>400,446</u>    |
| Total net assets                     | <u>459,971</u>    | <u>400,446</u>    |
| <br>Total liabilities and net assets | <u>\$ 953,075</u> | <u>\$ 904,542</u> |

The notes to the financial statements are an integral part of this statement.

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

|   | Unrestricted      |                   |
|---|-------------------|-------------------|
|   | <u>2013</u>       | <u>2012</u>       |
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b> |                   |                   |
| Interest revenue                          | \$ 47,761         | \$ 49,678         |
| Contributions                             | 10,998            | 46,658            |
| Lending fees                              | 4,826             | 10,015            |
| Other income                              | 11                | -                 |
| Gain on sale of financing receivables     | <u>48,643</u>     | <u>-</u>          |
| Total revenues, gains, and other support  | <u>112,239</u>    | <u>106,351</u>    |
| <b>EXPENSES</b>                           |                   |                   |
| Program services:                         |                   |                   |
| Community development                     | 36,792            | 59,812            |
| Supporting services:                      |                   |                   |
| General and administrative                | <u>15,922</u>     | <u>1,880</u>      |
| Total expenses                            | <u>52,714</u>     | <u>61,692</u>     |
| <b>CHANGE IN NET ASSETS</b>               | 59,525            | 44,659            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>      | <u>400,446</u>    | <u>355,787</u>    |
| <b>NET ASSETS, END OF YEAR</b>            | <u>\$ 459,971</u> | <u>\$ 400,446</u> |

The notes to the financial statements are an integral part of this statement.

**BRAZOS VALLEY COMMUNITY DEVELOPMENT CORPORATION, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Cash received from customers - interest on loans  | \$ 52,198         | \$ 61,787         |
| Cash received from contributors   | 6,231             | 31,436            |
| Cash paid for interest on debt  | ( 11,899)         | ( 13,966)         |
| Cash paid to suppliers for goods and services   | <u>( 45,762)</u>  | <u>( 42,145)</u>  |
| Net cash provided by operating activities   | <u>768</u>        | <u>37,112</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Cash received for repayment of financing notes  | 12,650            | 13,340            |
| Cash received for sale of financing notes   | 276,801           | -                 |
| Cash paid for disbursement of financing notes   | <u>( 107,500)</u> | <u>( 63,797)</u>  |
| Net cash provided (used) by investing activities  | <u>181,951</u>    | <u>( 50,457)</u>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                      |                   |                   |
| Cash paid for principal on debt   | <u>-</u>          | <u>( 5,000)</u>   |
| Net cash provided (used) by noncapital financing activities                                 | <u>-</u>          | <u>( 5,000)</u>   |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | 182,719           | ( 18,345)         |
| <b>CASH, BEGINNING</b>  | <u>250,593</u>    | <u>268,938</u>    |
| <b>CASH, ENDING</b>   | <u>\$ 433,312</u> | <u>\$ 250,593</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>      |                   |                   |
| Change in net assets  | \$ 59,525         | \$ 44,659         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Forgiveness of long-term debt   | -                 | ( 20,000)         |
| Gain on sale of financing notes   | ( 48,643)         | -                 |
| Changes in assets and liabilities:  |                   |                   |
| Decrease (increase) in assets:  |                   |                   |
| Accrued interest receivable   | 878               | 2,928             |
| Increase (decrease) in liabilities:   |                   |                   |
| Accounts payable  | ( 4,947)          | 5,581             |
| Loan escrow payable   | ( 1,267)          | ( 834)            |
| Unearned revenue  | <u>( 4,778)</u>   | <u>4,778</u>      |
| Net cash provided by operations   | <u>\$ 768</u>     | <u>\$ 37,112</u>  |

The notes to the financial statements are an integral part of this statement.

**BRAZOS VALLEY COMMUNITY  
DEVELOPMENT CORPORATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**

**1. NATURE OF BUSINESS**

Brazos Valley Community Development Corporation, Inc. (the "Corporation") was formed to promote, develop, and improve the economic conditions of people in the Brazos Valley region of Texas. This is accomplished by loans, investments and other business transactions with individuals and small businesses that increase the supply of affordable housing and jobs for low and moderate income persons.

Subsequent to formation, the Corporation applied for and received tax exempt status under Code Section 501(c)(3) of the Internal Revenue Code. The effective date of exemption was October 18, 2006.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions.

A description of the three net asset categories follows:

***Unrestricted Net Assets***

Unrestricted Net Assets represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of the Corporation in accordance with its bylaws. The Board may voluntarily designate unrestricted resources for specific purposes, but this is a voluntary action of the governing Board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing Board do not have the same legal requirements as do restrictions of funds.

***Temporarily Restricted Net Assets***

Temporarily Restricted Net Assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor.

***Permanently Restricted Net Assets***

Permanently Restricted Net Assets represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or a specified period, with only the income to be utilized.



### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### Notes Receivable

Notes receivable are stated at the amount of unpaid principal reduced by an allowance for losses. Allowances for estimated losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible. Management uses the historical collectability of notes receivable to estimate the allowance.

### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

## 3. TAX STATUS

The Corporation is a tax-exempt nonprofit Corporation under Internal Revenue Service Code Section 501(c) (3). The Corporation files a Form 990 annually for informational purposes.

## 4. NOTES RECEIVABLE

Notes receivable include fixed-rate mortgage loans provided to low and moderate income persons, in accordance with the Corporation's stated mission. At September 30, 2013 and 2012, all notes were current or not more than 90 days past due.

|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| Number of loans outstanding                         | 11                | 13                |
| Average balance at origination                      | 64,708            | 64,705            |
| Average balance at year-end                         | 58,799            | 58,842            |
| Average interest rate                               | 6.803%            | 6.709%            |
| Total dollar value of loans outstanding at year-end | 646,786           | 764,940           |
| Allowance for losses                                | <u>( 129,357)</u> | <u>( 178,000)</u> |
| Total carrying amount                               | <u>\$ 517,429</u> | <u>\$ 586,940</u> |

In addition to the notes receivable presented above, the Corporation held a note receivable from Brazos Valley Affordable Housing Corporation at September 30, 2012. That note amounted to \$63,797, and was repaid in fiscal year 2013.

In fiscal year 2013, the Corporation sold notes receivable with a carrying value of \$164,361. These notes were sold for \$213,004, resulting in a gain of \$48,643. The Corporation has no continuing involvement or exposure of loss relating to assets sold.

**5. NOTES PAYABLE**

The Corporation's notes payable at September 30, 2013 and 2012, consist of the following:

|  | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|
| <b>US Bank</b>   |                   |                   |
| Issued October 12, 2006, 2% interest payable annually, principal due October 12, 2016.   | 100,000           | 100,000           |
| <b>Wells Fargo Bank</b>  |                   |                   |
| Issued October 1, 2006, 2% interest payable quarterly, principal due June 7, 2017.   | 200,000           | 200,000           |
| <b>Brazos Valley Affordable Housing Corporation</b>  |                   |                   |
| Line of credit not to exceed \$500,000, 2% interest payable quarterly, automatic renewal each October 1st, final maturity no later than October 1, 2015. | <u>173,800</u>    | <u>173,800</u>    |
| Total  | <u>\$ 473,800</u> | <u>\$ 473,800</u> |

The future scheduled maturities of long-term debt are as follows:

| <u>Years Ending September 30,</u> | <u>Principal</u>  |
|-----------------------------------|-------------------|
| 2014                              | \$ -              |
| 2015                              | -                 |
| 2016                              | 173,800           |
| 2017                              | <u>300,000</u>    |
| Total                             | <u>\$ 473,800</u> |

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, subsequent events were evaluated through April 8, 2014, which is the date the financial statements were available to be issued.